

SUMMARY OF THE MEDICARE EXTENTION OF DRUGS TO SENIORS ACT (MEDS)

Overview:

MEDS establishes an 80/20 outpatient prescription drug benefit under a new Medicare Part D that will be administered by the Health Care Financing Administration. The plan will cost similar to figures for the Bush prescription drug plan due to this plan's emphasis on lowering the price of pharmaceuticals.

Coverage:

- First-dollar 80%/20% benefit (may charge beneficiary less for generics)
- Catastrophic coverage begins at \$2000 out-of-pocket.
- No beneficiary would have to spend more than \$2288 for prescription drugs (including premium)

Prescription Drug Prices:

- (Reimportation) Beginning 2003, all FDA-approved prescription would be allowed for importation at world market prices after being tested for safety. Once fully implemented, Medicare could set fee schedules based on imported drug prices.
- (Allen Bill) To eliminate price discrimination, manufacturers would charge Medicare and its beneficiaries the price equal to the lower of either the lowest price paid for the drug by other Federal Government agencies or the manufacturer's best price for the drug.
- (Reasonable Prices) Drugs developed with taxpayer funds would be subject to "reasonable price" agreements when patents are transferred to pharmaceutical companies.

Premiums and Low-income Assistance:

Premiums would be \$24/month in the first year and indexed to a pharmaceutical Sustainable Growth Rate, which will ensure that premiums or drug costs do not increase arbitrarily.

The Government would subsidize low-income beneficiaries to the following levels:

- 100% of the premium and cost sharing for beneficiaries below 135% of poverty.
- Partial subsidy on a sliding scale for those between 135% and 150%

Employer Incentive Program:

Employers providing drug coverage equal to or better than the Medicare coverage receive an incentive payment to maintain such coverage.

	Bush Administration <i>“Immediate Helping Hand Plan”</i>	Progressive Caucus <i>“Medicare Extension of Drugs to Seniors (MEDS) Plan”</i>
Beneficiaries At Plan Outset	Only single seniors making under \$15,700 and couples under \$20,000 per year	All Medicare beneficiaries who voluntarily enroll
Cost Containment	None.	<ul style="list-style-type: none"> - Loophole-free reimportation legislation - NIH reasonable pricing legislation - Medicare best-price legislation
Coverage When Fully Phased In	Impossible to know. The long-term plan as articulated by the Bush administration would provide a subsidy of 25% of the cost of a private insurance plan. Medigap plans offering prescription drug coverage can cost up to \$1,000 more than similar plans w/o drug coverage and coverage is generally limited, sometimes to as little as \$1200, and up to \$3,000 in benefits a year. The plans typically include a deductible as well.	<ul style="list-style-type: none"> - 20% co-pay on first \$2,000 of drugs - \$24 monthly premium
Maximum Out-of-Pocket Expense	\$6000 (only for low-income seniors, unlimited for seniors not in program)	\$2000 for all seniors enrolled in program
When fully phased in, Beneficiary Cost for 1st \$3,000 of Drugs	Impossible to know. The Bush plan includes no guaranteed benefit	\$400
Benefit to Non-Medicare Drug Consumers	Nothing	30%-50% reduction in prices
Benefit to Taxpayers	Nothing	Reasonable prices for drugs developed at taxpayer expense
Benefit to the Treasury	Nothing	Lower prices to government with consolidated purchasing

The MEDS Plan In Action...

Examples of how the plan would benefit American seniors

Example 1: A senior citizen with income of \$19,000 and annual prescription drug cost of \$2,000.

- Bush Plan: The senior would receive \$0 in assistance. Even when the plan is fully phased in, the senior citizen would only receive a subsidy equal to 25% of the cost of a private insurance plan, but there will be no defined benefit and in all likelihood the senior will have to pay a deductible and copayments.
- MEDS Plan: The beneficiary would save \$1,460 in the very first year.

Example 2: A senior couple with an income of \$30,000 and annual prescription drug costs of \$10,000.

- Bush Plan: This couple would pay \$6,000 or \$500 per month.
- MEDS Plan: When MEDS is fully phased in, the out of pocket cost to this couple would be only \$1,600. Even in the first year, under MEDS, the couples' out of pocket expense is \$1,300 less than under the Bush Plan.

Example 3: A senior with an income of \$9,000.

- Bush Plan: 100% "coverage" at no cost. But what kind of coverage? There is no defined benefit and no guarantee of what copayments and deductible the senior would have to pay.
- MEDS Plan: The senior pays \$0 out of pocket - guaranteed -- with all medically-necessary prescription drugs included.